IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division

UNITED STATES OF AMERICA	)	Criminal Case No. 2:16cr 164
	)	
v.	)	Conspiracy to Commit Wire Fraud
	)	18 U.S.C. § 371
KATHERINE GROBES,	)	(Count One)
	)	
Defendant.	)	Criminal Forfeiture
	)	18 U.S.C. §§ 981(a)(1)(C),
	)	28 U.S.C. § 2461(c)

CRIMINAL INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

Beginning in or about 2011, the exact date being unknown, and continuously thereafter up to and including September 20, 2016, in the Eastern District of Virginia and elsewhere, the defendant, KATHERINE GROBES, knowingly conspired and agreed with W.G., C.G., and with other persons, both known and unknown to the United States Attorney, to commit the following offense against the United States, that is: to knowingly devise and intend to devise a scheme and artifice to defraud and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, for which the defendant and co-conspirators transmitted and caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals and sounds, for the purpose of executing the scheme and artifice to defraud, in violation of Title 18, United States Code, Section 1343.

WAYS, MANNER, AND MEANS TO ACCOMPLISH THE CONSPIRACY

The ways, manner and means by which this purpose was carried out included, but were not limited to, the following:

1. The purpose and object of the conspiracy to commit wire fraud and the scheme and artifice to defraud included, but were not limited to, the use of false pretenses, representations, promises and material omissions in order to fraudulently obtain Department of Veterans Affairs (VA) Post-9/11 GI Bill education assistance payments.

2. It was part of the conspiracy that the defendant, KATHERINE GROBES, W.G., and C.H. owned and operated the College of Beauty and Barber Culture (CBBC), a barber and cosmetology school located in Chesapeake, Virginia.

3. It was further a part of the conspiracy that the defendant and co-conspirators obtained approval to receive VA education assistance benefits by representing to the VA, among other things, that it was providing courses to veterans and other eligible persons that were taught by CBBC instructors.

4. It was further a part of the conspiracy that the defendant and co-conspirators certified to the VA by way of VA Forms 22-1999 that each veteran enrolled at CBBC was receiving the allotted hours of instruction consistent with the course for which the veteran had been approved.

5. It was further a part of the conspiracy that the defendant and co-conspirators provided false information to the VA concerning the number of hours of instruction and the manner and quality of the instruction provided to veterans whose CBBC tuition was being paid by the VA.

6. It was further a part of the conspiracy that the defendant and co-conspirators falsely represented to the VA that CBBC was in compliance with the requirement that veterans receiving VA tuition assistance do not make up more than 85% of their student population.

7. It was further a part of the conspiracy that the defendant and co-conspirators made false representations and omissions to VA Education Compliance Survey Specialists and other VA personnel conducting compliance reviews of CBBC's adherence to VA rules and regulations.

8. It was further a part of the conspiracy that CBBC then received direct tuition payments from the VA under the Post-9/11 GI Bill, which payments were directly deposited into bank accounts opened, controlled, and maintained by the defendant and co-conspirators.

9. It was further a part of the conspiracy that the defendant and co-conspirators would and did derive substantial proceeds from their scheme and artifice to defraud.

OVERT ACTS

In furtherance of the conspiracy and to affect the objects of the conspiracy, the following overt acts, among others, were committed in the Eastern District of Virginia and elsewhere:

1. On March 5, 2015, KATHERINE GROBES, in her capacity as a School Certifying Official for CBBC, submitted to the VA a VA Form 22-1999 on behalf of veteran student E.V. KATHERINE GROBES represented that E.V. was enrolled in CBBC's cosmetology course and attended the school for 22 hours per week.

2 On May 19, 2015, during a meeting with a VA Education Compliance Survey Specialist conducting a review of CBBC, KATHERINE GROBES in her capacity as a School Certifying Official for CBBC, represented that CBBC was in compliance with the VA requirement that not more than 85% of all enrolled students were receiving VA tuition assistance. In truth, nearly all of CBBC's students were receiving VA tuition assistance, such that the school was not in compliance with this requirement.

3. On April 26, 2016, during a meeting with a Virginia State Approving Agency manager conducting a review of CBBC, KATHERINE GROBES in her capacity as a School Certifying Official for CBBC, represented that CBBC was in compliance with the VA requirement that not more than 85% of all enrolled students were receiving VA tuition assistance. In truth, nearly all of CBBC's students were receiving VA tuition assistance, such that the school was not in compliance with this requirement.

(All in violation of Title 18, United States Code, Section 371).

FORFEITURE ALLEGATION

THE UNITED STATES ATTORNEY FURTHER ALLEGES THAT:

1. The defendant, KATHERINE GROBES, if convicted of the violation alleged in Count One of this Criminal Information, shall forfeit to the United States, as part of the sentencing pursuant to Federal Rule of Criminal Procedure 32.2, any property, real or personal, which constitutes or is derived from proceeds traceable to the violation.

3. If any property that is subject to forfeiture above, as a result of any act or omission of the defendant, (a) cannot be located upon the exercise of due diligence, (b) has been transferred to, sold to, or deposited with a third party, (c) has been placed beyond the jurisdiction of the Court, (d) has been substantially diminished in value, or (e) has been commingled with other property that cannot be divided without difficulty, it is the intention of the United States to seek forfeiture of any other property of the defendant, as subject to forfeiture under Title 21, United States Code, Section 853(p).

4. The property subject to forfeiture includes, but is not limited to, the following property:

a. A monetary judgment in the amount of not less than $4,526,653.64, representing the proceeds of Count One;

b. Real property and improvements located at 1325 Simon Drive in Chesapeake, Virginia;

c. $193,106.05 in United States Currency seized from 1325 Simon Drive in Chesapeake, Virginia on September 20th, 2016;

d. $696,641.73 seized from Towne Bank account 221193804 on September 22nd, 2016;

e. $29,510.66 seized from Towne Bank account 421080655 on September 22nd, 2016;

f. $367,533.03 seized from Towne Bank account 221199292 on September 22nd, 2016;

g. $605.68 seized from NAE Federal Credit Union account 227349-S8 on September 22nd, 2016;

h. $37,966.35 seized from Navy Federal Credit Union account 7032410693 on September 22nd, 2016; and

i. $29,499.13 seized from Navy Federal Credit Union account 7025687521 on September 22nd, 2016.

(All pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).)

DANA J. BOENTE
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